



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

Friday, October 30, 2015
8:30 A.M., MST

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Jeff Tyne, Vice Chair of the ASRS Board, called the meeting to order at 8:30 A.M., Arizona Time.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Vice Chair
Mr. Clark Partridge
Professor Dennis Hoffman
Dr. Richard Jacob
Mr. Robert Wadsworth
Mr. Tom Connelly
Mr. Tom Manos

Absent: Mr. Kevin McCarthy

One vacant position.

A quorum was present for the purpose of conducting business.

2. Approval of the Minutes of the September 25, 2015 Public Meeting and Executive Session of the ASRS Board

Motion: Dr. Richard Jacob moved to approve the Minutes of the September 25, 2015 Public Meeting and Executive Session of the ASRS Board. Mr. Tom Manos seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding ASRS Legislative Initiatives for the 2016 Legislative Session

Mr. Nick Ponder, Government Relations Officer, provided a brief update to the Board regarding the 2016 Legislative agenda. Since the Board approved the proposed ASRS Legislative Initiatives on September 25, 2015, the ASRS has begun pursuing legislative sponsorship. Mr. Ponder has met with Senator Lesko, Chair of the Senate Finance Committee, and Representative Fann, Chair of the Insurance Committee. Senator Lesko has agreed to sponsor four items of legislation and Representative Fann has agreed to sponsor two. Mr. Ponder stated that he would continue to communicate with Senator Lesko and Representative Fann, in addition to meeting with legislative counsel regarding the drafting of the legislation.

4. Presentation, Discussion and Appropriate Action Regarding Outcomes of the ASRS Strategic Plan Priority #4: Ensure Outstanding Customer Service for Fiscal Year 2015

Ms. Sara Orozco, Manager Strategic Planning and Analysis, Mr. Dave King, Assistant Director Member Services Division and Mr. Jeremiah Scott, Sr. Strategic Planning Analyst presented this topic and responded to questions from the Board.

Ms. Orozco provided some background for the benefit of the new Trustees and identified the five agency priorities for its 5-year Strategic Plan as follows:

- a. Maximize the sustainability of ASRS plan designs.
- b. Organize an enterprise-wide risk management program to proactively monitor, manage and mitigate high impact risk events.
- c. Organize an investment management program capable of meeting its long-term goals.
- d. Ensure members, employers and stakeholders receive outstanding customer service.
- e. Maximize productivity and be high- service, low-cost pension plan provider.

The ASRS staff provides a report to the Board on the agency's performance related to each of the priorities. Today's report focused on priority four to provide outstanding customer service. The other strategic plan priorities will be covered in subsequent board meetings.

Overall, the ASRS is meeting the strategic objectives. Mr. King and Mr. Scott provided the Board highlights of the survey results regarding member satisfaction in the following areas:

- a. Member Transactions (Retirees, Active, and Inactive Members)
 - *New Retirees* – In Fiscal Year 2015, the percentage of members who are eligible for, and receiving, an estimated retirement benefit that received timely service only slightly improved over last year, meeting the objective in 2 of 12 months this fiscal year. To further improve performance, Management will need to enhance its technology applications to permit payment of lump sum retirements through a daily disbursement process, similar to refunds. Until these enhancements can be made, Management will be looking at lowering its timeliness expectation.
 - *Service Purchase* – The percentage of members who received a cost estimate within 10 days dropped slightly this year, meeting the objective in only 6 of 12 months. This drop is a result of volume increases that occurred as a result of a legal ruling and also work associated with the Oracle modernization project, which has involved 3 employees primary to the processing of service purchase.

- *Retirement Applications* – Use of the online retirement application continues to grow. At the start of the year, just over half of all applications (54%) were submitted online. By the end of the year, 70% were submitting online. At the current rate of adoption, the ASRS should expect 80% or more applications to be submitted online by the end of fiscal year 2016.
- *Direct Deposit Updates* - Retirees have been less likely to use the secure website to update their banking information. Efforts are currently underway in the contact center to educate members how to update their Direct Deposit online.
- Service levels at the ASRS continue to compare favorably when measured against peers. When measured against the CEM universe, ASRS service levels are equal to or better than the peer median and also the median of the universe of participants in all categories.

b. Member Contacts (Retirees, Active, and Inactive Members)

- *Timeliness*: The ASRS exceeded its timeliness objectives for most months in fiscal year 2015. The call center met its objectives 11 of 12 months in FY15 and has maintained high levels of service throughout the year. Email response times have been the only area where timeliness objectives have not regularly been met this fiscal year. In the most recent strategic plan, the agency lowered its email turnaround time objective (from 3 business days to 24 hours). Although, on average, the agency has met this objective, the agency has not yet regularly met the 90% threshold it has set, but continues to work towards meeting that objective in the future.
- Satisfaction levels remain high for ASRS member contacts, with 90 percent or more of members rating that they were “very satisfied” or “satisfied” with the service they received in all 5 of the areas measured. When measured against the CEM pension benefit administration benchmarking universe in 3 of the 4 categories measured, ASRS service levels are equal to or better than the peer median and the median of the universe of participants.
- *Presentations and Group Counseling* – The number dipped slightly in this category due to the ASRS no longer providing meetings outside of Phoenix or Tucson unless requested by employers, in order to save on travel expenses and to further shift the focus on member attendance via webinars.

c. Employers

- The ASRS has invested considerably in its member service model over the past decade, which has proven to be successful in providing high levels of service to members. Although many online capabilities for employers have been implemented over the past several years as part of the agency’s overall business re-engineering effort, there is a general consensus among Management that the employer service model at the ASRS could be improved.
- Currently, the ASRS is working to enhance its communication capabilities with employers by building a secure message system that is more robust than the current secure email tool and is integrated with the new employer notes application built during the Oracle Modernization effort.

d. Other Stakeholders

- External Affairs meet with members of legislative committees and bill sponsors to provide an overview of the ASRS and to discuss relevant legislation. Regular discussions also occur with legislative staff to discuss ASRS initiated bills, or non-ASRS bills that may impact the ASRS.

Mr. Jeff Tyne congratulated the ASRS for the high marks received on the survey and thanked staff for the hard work they put into the materials presented and for the benchmark comparisons.

5. Presentation, Discussion and Appropriate Action Regarding the Current Performance and Future Strategic Priorities of Employer Services

Ms. Sara Orozco, Mr. Dave King, and Mr. Jeremiah Scott presented this topic and responded to questions from the Board.

Ms. Sara Orozco summarized for the Board that the ASRS has invested considerably in its member service model over the past decade, which has proven to be successful in providing high levels of service to members. However, there is a general consensus among Management that additional time and attention should be paid to employer services to ensure the ASRS is meeting its strategic priority to provide outstanding service to its employer partners.

When conducting analysis on this topic earlier this year, staff found there was a lack of available data to measure not only customer service levels, but also employer satisfaction with the ASRS and its services, support, technology and training. One of the immediate decisions Management made was to reorganize the service delivery structure for employers in a manner similar to the successful model in place for members. As a result, responsibility for employer relations was moved from the External Affairs Division to the Member Services Division.

In May 2015, an employer survey was conducted. Mr. Scott briefly reviewed the survey results with the Board. Better than nine out of ten respondents gave high ratings (excellent/good) for the ASRS as a whole, and the services it provides. A lower number (84%) rated the ASRS positively as a customer service provider, with 14% rating it as neutral and 1% as negative.

Planned future improvements to the employer service model resulting from the re-organization, which are in direct response to the voice of the employers include:

- Implementing a new secure messaging system for employers (Spring 2016) that will tie in directly with the new employer demographics module, has more robust features than the current secure email system, and will provide the ASRS with more information about performance.
- Creating a central point of contact. When the secure message system goes live in early 2016, the Member Advisory Center will begin to build an employer services call center team specialized in employer needs. When implemented, employer calls will be routed and handled through the main ASRS phone number, similar to what members experience today. The same team will handle all messages and calls.
- By routing calls and messages through a single team, the employer processing units in FSD will be able to focus on processing incoming contributions and forms.

- Increased training, communication, and education. The employer relations team will move away from serving as generalists who perform any function for an employer and will focus their time and attention on proactive training, conferences and webinars targeted to employers.
- Implement new ASRS contribution reporting file format and increase our level of proactive data analysis with an eye toward more compliance support and training for employers.
- Identify and implement further improvements to online processes and incorporating opportunities to provide employers with more proactive data analysis wherever practicable.

Mr. King added that the conclusion the ASRS came to is the transactional processes the ASRS has are mostly positive and effective. The gaps are in customer service and training which will be the primary focus of improvement.

Mr. Tom Manos stated that he appreciated the new structure of reviewing and receiving updates on one strategic priority per meeting. It allows more time to look at the data compiled. Mr. Manos added his compliments to staff as the scores received were favorable. He appreciated staffs approach of rather than accepting the favorable scores, staff has continued to plan for more improvements based on the recommendations received.

6. Appropriate Action Regarding Ms. Mehrzad Khorsandi's Motion for Review and Reconsideration of a Final Decision

Mr. Christopher Munns, Assistant Attorney General, Solicitor General Section, was present via teleconference to provide legal advice to the Board, if requested.

Ms. Khorsandi addressed the Board and explained that she would like the Board to reconsider the decision they made at the August 28, 2015 Board meeting on the basis that she believes the Board received false information. Ms. Khorsandi stated the information in the charts provided by the ASRS that documented the years of service purchased and the years she did not purchase are all incorrect. She further stated that at the time of her appeal she was waiting for Texas A & M to provide her a letter that verified her eight years of service but she did not receive the letter until after the hearing and the Board meeting on August 28, 2015. The reason she requested the letter is to show the ASRS that she was willing to purchase those years, along with the one year period of 1998-1999 back in 2001. Ms. Khorsandi stated that she provided all the necessary documentation to the ASRS prior to the ASRS retaining electronic copies but that information was not recorded by the ASRS according to the chart presented.

Mr. Rex Nowlan, Assistant Attorney General, presented the ASRS position to the Board. Mr. Nowlan directed the Board to item "F" of the ASRS memo to the Board which explains that Ms. Khorsandi is able to purchase the year of credit from August 1998 to May 1999 as Other Public Service but not as Contributions Not Withheld (CNW). The reason that Ms. Khorsandi is ineligible to purchase this time as CNW is due to the statutory limitation of 15 years. Mr. Nowlan further stated that Ms. Khorsandi did apply to purchase this time within the 15 years; however, neglected to follow through and let the purchase option lapse with no payment. Mr. Nowlan further stated that Ms. Khorsandi's statement that the Texas A & M service credit was misrepresented has no relevance to the matter that was brought before the Office of Administrative Hearings and subsequently to the Board.

Motion: Mr. Clark Partridge moved to deny Ms. Khorsandi's request for review and reconsideration. Prof. Dennis Hoffman seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

7. Presentation, Discussion and Appropriate Action Regarding the 2016 Board Meeting Calendar

Motion: Mr. Tom Manos moved to approve the Board schedule for 2016 as presented. Mr. Clark Partridge seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

8. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events

Prompted by a recent question from a Trustee, Mr. Paul Matson, Director, directed the Board to the Cash Flow Statement Report to provide some clarification specific to cash flows. Mr. Matson focused on the Capital Calls section and the line item Private Debt in particular, which represents the strategy the Board has adopted and which staff is proactively engaged with implementing.

9. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings

a. Operations and Audit Committee (OAC)

Mr. Jeff Tyne announced the next OAC meeting will be held on November 10, 2015 at 10:30 a.m. in the 14th floor conference room to discuss external and internal audits, the quarterly audit report, the Web Steering Committee update, other developments and accomplishments and discuss the 2016 meeting calendar.

b. External Affairs Committee (EAC)

Dr. Richard Jacob announced that based on the Legislative update earlier in the meeting today, the External Affairs Committee meeting scheduled for November 13, 2015 at 10:30 a.m. in the 14th floor conference room may be cancelled subject to the addition of new agenda items.

c. Investment Committee (IC)

Mr. Tom Connelly announced the next IC meeting will be held on November 30, 2015 at 2:30 p.m. in the 14th floor conference room to review investment program updates, program oversight, and the third quarter performance report.

10. Board Requests for Agenda Items

No requests were made.

11. Call to the Public

No one from the public requested to speak.

12. The next regular ASRS Board meeting is scheduled for Friday, December 4, 2015, at 8:30 A.M., at 3300 N. Central Avenue, 10th Floor Board Room, Phoenix, Arizona.

13. Presentation, Discussion, and Appropriate Action Regarding the Review of the Director and Employment Contract for the Director

The Review of the Director and Employment Contract was not heard and will be presented at the December 4, 2015 Board meeting.

14. Adjournment of the ASRS Board

Motion: Mr. Tom Manos moved to adjourn the October 30, 2015 Board Meeting at 9:51 A.M. Mr. Tom Connelly seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

ARIZONA STATE RETIREMENT SYSTEM

Melanie A. Alexander
Board Administrator

Paul Matson
Director